

Naked Reverse: Unexpected Plays for Exceptional Results

By Edward J. O'Connor, PhD, C. Marlina Fiol, PhD
and Gerry Dewil

Dr. Schmidt was worried. A few days ago his professional future seemed promising. Several of his colleagues had approached him with an invitation to invest \$50,000 in a soon-to-be-built ambulatory surgery center.

Certainly, they argued, it was time for local physicians to get on board and benefit from their piece of the national ambulatory surgery center boom. In singing the praises of this venture, they noted both its likely economic payoffs and professional rewards. Not only would they receive fees for their services, but also monies flowing to the local hospital would come to them.

Additionally, physicians would run the ambulatory surgery center, providing an opportunity to express their leadership skills and entrepreneurial interests. Given the surgery center's planned customer focus and low overhead costs, Dr. Schmidt had been excited for several days about this opportunity.

A bit of reading this evening, however, changed all that. Now he wasn't so sure.

In particular, two articles in recent editions of the Healthcare Executive and The Physician Executive concerned him. Specifically, a discussion of the specialty care debate¹ left him wondering how hospital executives, his patients, and the community would perceive him if he proceeded with the venture.

He did not wish to be accused of siphoning resources needed to maintain critical services such as the local emergency room. In addition, noted futurists interviewed in The Physician Executive² suggested that investments in ambulatory surgery centers might be exceeding the need for these facilities.

Remembering his prior unsuccessful investments in tax-sheltered oil drilling and cattle breeding operations decades ago, he was clearly concerned about the possibility of becoming an unhappy physician investor in a potentially overbuilt marketplace.

The time had come to carefully consider his options, but he was still puzzled by how to effectively think through the alternatives.

IN THIS ARTICLE...

Following the herd is easy when it comes to business ventures. But if you really want to start something new, you must first carefully think it through. Learn some ways to do that before you set out on a new path.

The world is full of seemingly good ideas. With thousands of people thinking about and pursuing similar ideas simultaneously, however, even those ideas that seem to be sure things may offer no sustainable competitive advantage.

While it is clearly important to generate a range of creative possibilities, rational evaluation is also critical to long-term success. As a senior physician decision maker, have you created and followed a process that allows you to clarify what it is about your new potential product or service that sets it apart and ensures profitable demand for it? Does the idea you are considering provide you with a competitive advantage that builds on your unique people and financial resources in a way that is not easily replicable by your competitors?

In health care, many organizations moved from one apparently good idea to the next during the past decade. It seemed hard to argue against the advantages of enhanced quality or powerful alliances, but the majority of hospitals and group practices failed to build these ideas successfully into their operations.

Similarly, investments in re-engineering and technologies such as electronic medical records often drained financial resources, depleted morale, fueled turnover and left many in health care wondering what's next.³ Maybe it's time to expand your search and evaluation techniques beyond listening to the common wisdom.

Following the herd requires little independent thought. You can act on automatic pilot by simply watching others and replicating their moves.

In the short run, this is often the path of least resistance. It also minimizes personal risk by providing a ready justification (i.e., everybody else agreed this was a good idea) for less than successful leadership choices.

The quarterback takes the snap, drops back, turns and looks down field for each of his receivers. No one is open. ... Rather than following the herd and joining the crowd on the right, his best opportunity may lie in an unexpected naked reverse to the left.



Unfortunately, the long-term consequences of this mindless decision-making style have been costly for many health systems, hospitals, and group practices.⁴

Creative ideas essential to winning

The quarterback takes the snap, drops back, turns and looks down field for each of his receivers. No one is open.

The moment his strategy is interrupted by unexpected competitive responses, he immediately looks for new opportunities. Where on the whole field can he now

ideas rather than simply retreading information generally available throughout your industry.

Rather than simply following the playbook of others, you must free the creative, innovative spirit within your organization in order to bring forth and effectively evaluate untapped possibilities for success.

Creative ideas no guarantee of success

Even the most admired companies can get innovation spectacularly wrong.⁵

Overzealous optimism about investments in dot-com startups left

solve important problems for customers, serve important needs and change the way people live and work.³

- Do the ideas you are considering add this level of value to your current or potential customers?
- Do they solve significant problems or meet important needs?
- Are they a good fit with your resources and available skills?
- Do they offer great margins?
- Or are they one more loss leader designed to let you be all things to all people?

The overall attractiveness of the market for your new product or service deserves careful attention.

move the ball to achieve competitive success? Most of his blockers went right—the direction of the original play.

Taking cues from these blockers and from where he is looking for receivers, defensive players also move in that direction.

Rather than following the herd and joining the crowd on the right, his best opportunity may lie in an unexpected naked reverse to the left.

Efforts to succeed by extending revenues or wringing cost savings out of old business lines have limited potential for expanding future returns. There are only so many patients you can see in a day and so many nurses you can do without.

Given past failure rates, further economies of scale through mergers and acquisitions also seem unlikely to succeed.

Instead, it is critical to differentiate your organization from your competitors. This requires new

many wishing they had been more cautious and systematic in their evaluations. It's easy in retrospect to point to the foolishness of the over-inflated valuations that dominated this marketplace.

But health care is clearly not immune to similar patterns of behavior. Large numbers of investors were overly optimistic about the integration by giants such as Columbia and PhyCor and felt pressure to join the seeming bonanza even though little evidence existed to support the long-term value of the ventures.

While a few success stories exist, the majority of evidence points toward the failure of many health care integration efforts.³

Ideas are necessary, but not sufficient for success. People have thousands of ideas each day. Most of them, however, do not represent profitable investment opportunities.

High-potential opportunities

Even your best ideas may not have sufficient potential to warrant further investment. Successful screening can help you determine whether you are looking at a true opportunity worthy of further investment or an opportunity with limited potential.

Separating nice ideas from worthy opportunities

- What, who and when
Along what dimensions will you evaluate your ideas? Whose point of view will you consider? What time frame will you apply? Are the answers to these questions obvious?
- Dimensions
How will you know if you have won? In other words, what dimensions of success are most important to you and others

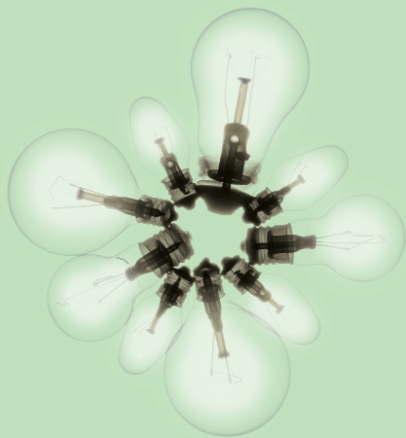


Figure 1. Characteristics of Successful Venture Ideas

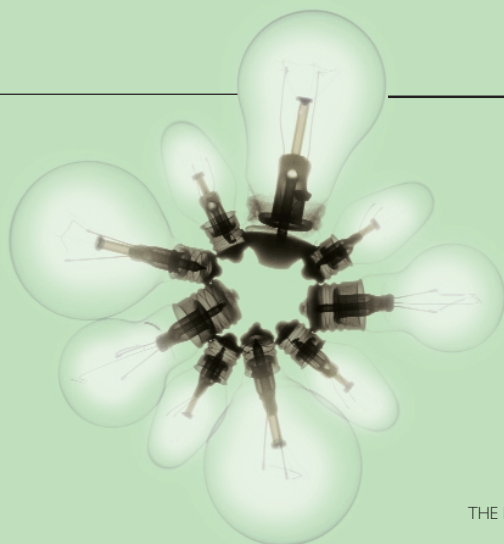
Please describe the extent to which the following two sets of statements accurately describe the venture you are considering. Respond to each statement by indicating how true each item is on a scale ranging from Not True (1) to Not Sure (3) to Completely True (5).

The venture idea we are considering:

- Provides significant value for current or potential customers _____
- Solves significant problems for current or potential customers _____
- Fills important needs of those who would pay for the services _____
- Offers the likely possibility of significant financial gains _____

Our venture team has:

- Specified what dimensions of success are most important to all parties central to the venture _____
- Clarified who must be satisfied to call the venture a success _____
- Specified when the needs of each of those central to the venture must be met to call it a success _____
- Agreed that we have the resources and skills required for success _____
- Evaluated as positive the overall market attractiveness of the venture idea _____
- Evaluated as positive the overall personal attractiveness of the venture idea _____



associated with your new venture idea? Some define success as rapid growth, solid cash flow or a high return on their investment, while others may be more interested in security, enjoyable jobs or personal happiness. It is important for Dr. Schmidt and all his potential partners to have a common understanding of the measurable outcomes they are attempting to achieve.

- Point of view

Einstein taught us that everything is relative. Success criteria can often vary across critical stakeholders such as founders, investors, suppliers, customers, employees, lenders, family members and the larger community. In evaluating your venture ideas, it is important to clarify your point of view about who must be satisfied to call the venture a success and whether the current idea you are considering offers the possibility of satisfying their needs.

- Time frame

When evaluating potential venture ideas, time is a third important dimension. Are your needs and desires short-term or long-term? Do you need payoffs during the start-up phase or is the postponement of potentially large rewards consistent with your dreams? Are you content to put off the final verdict for retrospective analysis years from now or is current agreement about its payoff potential important to your sense of success? Unless all the central participants have similar expectations regarding time to success, satisfactory venture outcomes are threatened. For example, if Dr. Schmidt and his ambulatory surgery center partners don't have a common understanding of what they are attempting to achieve, who must be satisfied and when critical outcomes must occur, some of the investors are likely to be surprised and unhappy.

- Market attractiveness

The overall attractiveness of the market for your new product or service deserves careful attention. Both the desirability of the market itself and the resources required to take advantage of the opportunities should be evaluated. For example, is the market big enough and growing fast enough to be attractive? How intense is the competition? How demanding are the capital requirements for success? What profit margins are likely to be possible? Do you have the resources required to attract a sufficient share of the market and produce quality outcomes?

- Personal attractiveness

One size does not fit all—in shoes or in entrepreneurial ventures. Economic success, as well as personal satisfaction, may depend on identifying a field and venture that you truly love so that you never have to work at it, but instead are drawn naturally to spend the many long hours required. For example, in the case of Dr. Schmidt's venture, commitment and dedication are likely to be required to overcome obstacles such as objections from hospital executives, patients and community leaders regarding the ambulatory surgery center. Do you have that passion and that devotion to your idea? If not, the best ideas from a market perspective may still be the wrong venture for you personally.

Researchers identified several factors that are important when evaluating potential venture ideas. A summary of these is presented in Figure 1 as a series of statements. Collect information from each of your potential venture partners describing the degree to which the ideas you are considering are opportunities worthy of further investment.

Have you consistently applied such assessments in the selection of past ventures? Are you applying them to ventures that are now

being considered? If not, what weaknesses do you need to address to improve the likely success rate of your future venture choices?

How does your venture look with regard to this list of assessment dimensions? Any score of 3 or less demands serious consideration, if not action. Have you effectively undertaken the venture evaluation activities needed to support enduring success? What changes might be helpful as you strive to move forward together? How will you build the solid foundation required to wisely evaluate the possibilities before you?

In the end, Dr. Schmidt has cause to be both optimistic and worried.

The services provided by the proposed ambulatory surgery center may well fill important needs in his community, but he should consider a much wider range of issues before investing his money.

In addition to performing a financial analysis, he should consider whether he's truly passionate enough about the idea to withstand pressures that are likely to come from hospital and community sources.

After reviewing his opportunity against the statements in Figure 1, he may well discover that a number of important issues remain unclear.

For example, is it clear that the proposed center will add distinctive value to current or potential customers, offer the possibility of significant financial gains or meet the success and timing criteria of those who must be satisfied?

The logic that it is time for local physicians to get on board and get their piece of the national ambulatory surgery center boom may well be a warning signal. Just because others are doing it does not make it a good idea.

Similarly, going your own direction is not a surefire formula for success. Unexpected plays, such as a naked reverse, will only produce exceptional results when competitive forces on the field and the capabilities of the players are in line with the unique opportunity.



Edward J. O'Connor, PhD, is a principal with

the Implementation Institute, a professor of management at the University of Colorado at Denver and a member of the faculties of the American College of Physician Executives and the Kaiser Consulting Network. He can be reached by calling 303-573-1273 or by e-mail at edward.oconnor@cudenver.edu.



C. Marlene Fiol, PhD, is an associate professor at the

University of Colorado-Denver. She can be reached by phone at 303-556-5812 or by e-mail at marlena.fiol@cudenver.edu.



Gerry Dewil is a research assistant at the University

of Colorado-Denver. He can be reached by e-mail at g_dewil@yahoo.com


References

1. Lando, MA. "The Specialty Care Debate: Is There An Answer?" *Healthcare Executive*, January-February, 2003, pp.16-20.
2. Weber, D. "Health Care Trends, What's Hot, What's Not, And What Does The Future Hold?" *The Physician Executive*, January-February, 2003, pp. 6-14.
3. O'Connor, EJ. & Fiol, CM. *Reclaiming Your Future: Entrepreneurial Thinking In Health Care*. Tampa, Fla.: American College of Physician Executives. 2002.

4. Fiol, CM. & O'Connor, EJ. "Walking up! Mindfulness in the face of handwagons." *Academy of Management Review*, 2003, pp. 28, 54-70.; O'Connor, EJ. & Fiol, CM. "Mindful over Mindless: Learning to Think like an Entrepreneur." *The Physician Executive*, July-August, 2002, pp. 4, 18-23.
5. Kim, WC. & Mauborgne, R. "Knowing a Winning Business Idea When You See One." *Harvard Business Review*, September-October, 2000, pp. 129-138.

ACPE Resources:

Bring Ed O'Connor to your organization for an OnSite Educational Program. Call 800-562-8088 or visit www.acpe.org/onsite for more information.

Becoming a physician didn't start when your training ended. It's a process that continues with every technological advancement, clinical breakthrough and leadership opportunity. We make professional development and continuing education a priority

Who you become as a physician depends on **what** you do to further your career.

The best practice begins at EmCare.

for our physicians. Expand your knowledge and your future. EmCare – providing the power to improve healthcare and the lives of those who deliver it.

EmCare
Emergency Medicine. Customer Driven.

800-EmCare1 (800-362-2731)
recruiting@emcare.com
For a complete listing of our job opportunities, visit www.emcare.com

EDE